

Agency:	107 Health Care Authority
Decision Package Code/Title:	PL-EQ Implement ICD-10 Compliant Codes
Budget Period:	2012 Supplemental
Budget Level:	PL – Performance Level

Fiscal Detail/Objects of Expenditure

	FY 2012	FY 2013	Total
1. Operating Expenditures:			
Fund 001-1 General Fund State	\$ 198,000	\$ 821,000	\$ 1,019,000
Fund 001-2 GF-Federal - Basic	\$ -	\$ -	\$ -
Fund 001-C GF-Federal - Medicaid	\$ 1,783,000	\$ 7,387,000	\$ 9,170,000
Fund 001-7 GF-Private/Local	\$ -	\$ -	\$ -
Fund 418-1 HCA Admin Account	\$ -	\$ -	\$ -
Total	\$ 1,981,000	\$ 8,208,000	\$ 10,189,000
2. Staffing:			
Total FTEs	2.0	14.8	8.4
3. Objects of Expenditure:			
A - Salaries And Wages	\$ 157,000	\$ 1,107,000	\$ 1,264,000
B - Employee Benefits	\$ 47,000	\$ 346,000	\$ 393,000
C - Personal Service Contracts	\$ -	\$ -	\$ -
E - Goods And Services	\$ 1,777,000	\$ 6,755,000	\$ 8,532,000
G - Travel	\$ -	\$ -	\$ -
J - Capital Outlays	\$ -	\$ -	\$ -
N - Grants, Benefits & Client Services	\$ -	\$ -	\$ -
Other (specify) -	\$ -	\$ -	\$ -
Total	\$ 1,981,000	\$ 8,208,000	\$ 10,189,000
4. Revenue:			
Fund 001-2 GF-Federal - Basic	\$ -	\$ -	\$ -
Fund 001-C GF-Federal - Medicaid	\$ 1,783,000	\$ 7,387,000	\$ 9,170,000
Fund 001-7 GF-Private/Local	\$ -	\$ -	\$ -
Fund 418-1 HCA Admin Account	\$ -	\$ -	\$ -
Total	\$ 1,783,000	\$ 7,387,000	\$ 9,170,000

Recommendation Summary Text

The Health Care Authority (HCA) requests \$10,189,000 (\$1,019,000 GF-State) and 8.4 FTEs in the 2012 Supplemental to implement the federally mandated conversion from the ninth to the tenth version of the World Health Organization's International Classification of Diseases (ICD).

Package Description

The Health Care Authority (HCA) requests \$10,189,000 (\$1,019,000 GF-State) and 8.4 FTEs in the 2012 Supplemental to implement the federally mandated conversion from the ninth to the tenth version of the World Health Organization's (WHO) International Classification of Diseases (ICD). The WHO published ICD-10 in 1990. Since then, 136 countries have adopted ICD-10. The United States

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still uses ICD-9. Federal legislation, effective March 17, 2009, requires all covered entities (Medicare, Medicaid, health plans, health care clearinghouses, and health care providers) implement ICD-10 by October 1, 2013.

ICD-10 is a method of coding a patient's state of health and institutional procedures for efficient handling in data systems. This updated version of disease classification will provide far greater granularity in the definition of disease severity and associated risk. It will enhance clinical information integration and is a dependency for a number of related federal Health Information Technology initiatives, such as the National Electronic Disease Surveillance System, Health Information Exchange, Value-Based Purchasing, and Patient Registries.

Conversion to the new code set will require significant changes in Medicaid payment policy along with modifications to the Medicaid Management Information System (MMIS) also known as ProviderOne. ICD-10 implementation is much more than a code set update. Diagnosis and inpatient procedure codes are a large part of the foundation of policy and processes in Medicaid operations. Implementing ICD-10 requires a redefinition of policies to align with the new code set. For example, HCA will need to update both coverage and payment determination rules for products and services. Since ICD codes are used in almost every clinical and administrative process and system, implementation will impact nearly every aspect of the State's Medicaid operations. These changes will affect all Medicaid providers and Managed Care Organizations. They will also affect some Medicaid clients as reimbursement policies will change.

HCA plans to establish a project team, to include state staff and contracted resources. This project qualifies for 90 percent federal financial participation (FFP).

Questions related to the fiscal portion of this decision package should be directed to Marcia Wendling at (360) 725-1836 or marcia.wendling@hca.wa.gov.

Questions related to the programmatic portion of this package should be directed to Kathy Pickens-Rucker at (360) 725-2135 or kathy.pickens-rucke@hca.wa.gov.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

This proposal is essential to achieving compliance with federal regulations. This request funds necessary work for HCA to make the required conversion to ICD-10, comply with federal regulations and maintain ffp for Medicaid programs.

Performance Measure Detail

Not applicable.

Activity: H001 Administrative Costs

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

Yes. This request funds necessary compliance activities that will ensure the viability of the Medicaid program.

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Does this decision package provide essential support to one of the Governor’s priorities?

Yes. This request supports the Governor’s priority: Improve the health of Washingtonians. The Governor’s goals for controlling expenditures, improving patient safety and quality of care, and increasing access to care that is coordinated and tailored to the needs of individuals and communities is supported by HCA converting to ICD-10 by October 2013.

On April 29, 2011, Governor Gregoire submitted a request to the Secretary of Health and Human Services (HHS) for flexibility plus technical and financial assistance to support improvement in Washington’s health care delivery system. HHS’s consideration of this request is dependent upon Washington’s compliance with the ICD-10 regulations promulgated by HHS.

This package is also essential to achieving all of the Governor’s health care reform goals:

- Emphasize evidence based health care
- Promote preventions, healthy lifestyles and healthy choices
- Better manage chronic conditions
- Create more transparency in the health system
- Make better use of information technology

Does this decision package make key contributions to statewide results? Would it rate as a high priority in the Priorities of Government (POG) process?

Yes. This package supports the Governor’s priority: Improve the health of Washingtonians. The added granularity in diagnosis and inpatient procedure codes provided by ICD-10 will over time assist in efforts to improve care and reduce costs. A large part of the foundation of policy and processes in Medicaid operations is based on these codes. Redefining policies to align with the new code set will ensure more refined clinical and administrative decisions. Both coverage and payment determination rules for products and services will be updated and improved.

What are the other important connections or impacts related to this proposal?

There will be significant stakeholder impact with the implementation of ICD-10. ICD codes are used in almost every clinical and administrative process and system within the State’s Medicaid operation. The impacts on providers, including doctors, hospitals, managed care organizations, tribal clinics, and long-term care facilities, can be positive if the project is adequately funded and well managed. These organizations are also required to convert to ICD-10, so coordinating efforts are a critical success factor.

Clients will be impacted as reimbursement policies will change. Frequent and pro-active communication with clients will be a critical success factor.

What alternatives were explored by the agency, and why was this alternative chosen?

HCA has looked at ways to absorb the state impact of implementing these changes; however, due to the significant reductions to staff and resources, it is unlikely that there are sufficient funds to cover the state match.

What are the consequences of not funding this package?

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Funding is necessary to assist HCA to make the required conversion to ICD-10, comply with federal regulations and maintain ffp for the Medicaid programs. The enhanced funding provision of 90 percent for design, development, and implementation costs for this conversion expires October 1, 2013.

HCA received almost \$37 million dollars in FY 2011 in Medicaid funds to support MMIS and its operations due to qualifying for enhanced match. If Washington is not in compliance by the deadline, approximately \$9.2 million per year could be lost in enhanced federal support, in addition to fines in excess of \$1 million.

Medicaid provides medical, behavioral health and long-term-care coverage to more than one million Washingtonians. The loss of federal funding will require significant decreases in coverage to make up for the loss of federal match. This will in turn prevent many adults and children from obtaining the care they need.

HCA, in addition to providers and health plans are converting to ICD-10. All groups must convert to maintain funding.

What is the relationship, if any, to the state capital budget?

None.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

Not applicable.

Expenditure and revenue calculations and assumptions.

Revenue Calculations and Assumptions:

Revenue assumes that this project will qualify for 90 percent ffp.

Expenditure Calculations and Assumptions:

HCA plans to hire a contractor to provide project management and oversight for the duration of the project. Additional staffs to support the project are based on phased hiring as the project progresses and a contract with Client Network Services Incorporated (CNSI) will be executed for the required changes to ProviderOne. The funding split assumes that this project will qualify for 90 percent ffp and will only require a state match of 10 percent.

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Expenditure Assumptions					
Expenditure Type		FY 2012		FY 2013	
		Duration	Loaded Cost	Duration	Loaded Cost
	Staffing				
	Project Coord (ITS5)	1 @ 6 months	\$ 66,000	1 @ 12 months	\$ 118,000
	DW Analyst (ITS5)			1 @ 9 months	\$ 95,000
	Tech Analysts (ITS4)	2 @ 3 months	\$ 70,000	4 @ 12 months	\$ 450,000
	Business Analysts (ITS4)			2 @ 12 months	\$ 232,000
	Policy Analyst (WMS2)	1 @ 3 months	\$ 38,000	1 @ 12 months	\$ 124,000
	Coder (WMS2)	1 @ 3 months	\$ 42,000	1 @ 12 months	\$ 139,000
	Readiness/Comm (WMS2 - \$78K)	1 @ 3 months	\$ 37,000	1 @ 12 months	\$ 117,000
	Readiness/Comm (WMS2 - \$72K)		\$ -	3 @ 12 months	\$ 350,000
	Cost Reimbursement Analyst 4	1 @ 3 months	\$ 33,000	1 @ 12 months	\$ 103,000
	Sub Total		\$ 286,000		\$ 1,728,000
	Contractor				
	Project Manager	1 @ 6 months	\$ 150,000	1 @ 12 months	\$ 300,000
	Quality Assurance	1 @ 3 months	\$ 45,000	1 @ 12 months	\$ 180,000
	CNSI estimate		\$ 1,500,000		\$ 6,000,000
	Sub Total		\$ 1,695,000		\$ 6,480,000
Total Estimated Cost			\$ 1,981,000		\$ 8,208,000

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

Distinction between one-time and ongoing costs:

HCA does not anticipate any increased costs to the on-going operations of ProviderOne and that the identified costs are one-time.

Budget impacts in future biennia:

Staffing and contractor costs will continue into FY 2014 until the project is completed. The anticipated date for the project completion is October 2013.